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Review: LBO Modeling Exam

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Question 1

JJB, a private equity firm, acquired Geozone on December 31, 2016, a company with last twelve months (LTM) EBITDA of $882.7 million at an 8.0x LTM EBITDA multiple.

EBITDA will grow by 8% annually for the next 5 years. Immediately prior to the acquisition, Geozone had debt of $50.0 million and cash of $20.0 million.

Debt and cash balances remained unchanged through the next 5 years.

Assuming a sale on December 31, 2021 at an 8x multiple, what is the equity value at Exit?

3,314.2
7,031.6
7,061.6
10,345.8
10,375.8

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Question 2

Which of the following would INCREASE cash available for optional Revolver repayments?

Decreases in Accounts Payables
Increases in Mandatory Term Loan B Debt Repayments
Increases in Accounts Receivables
Increases in Capital Expenditures
Increases in Depreciation and Amortization

Question 3

The next five questions use the data provided below.

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On December 31, 2016, Silver Lane Partners, a private equity firm, acquired the operations of Baezmore Telecom (BT), a company with last twelve months (LTM) EBITDA of $882.7 million at an enterprise value amounting to 8.0 times LTM EBITDA.

At the date of the acquisition, BT had noncontrolling interests with a market value of $30.0 million, debt of $50.0m, equity investments valued at $8.0m, and cash of $20.0m.

As part of the deal, all the noncontrolling interests were acquired (at their market value) and all existing debt was refinanced.

To fund the buyout, Silver Lane was able to secure $250 million in debt financing at a 10.0% rate of interest (to be paid annually at each year end on the debt outstanding).

Transaction fees due in cash at the purchase date were $3.0 million, while financing fees due in cash at purchase date totaled $1.0 million.

None of BT's cash balances were used to fund the buyout.

What is the value of BT's existing equity implied by Silver Lane's purchase multiple?

7,031.60
6,783.60
6,953.60
7,009.60
6,981.60

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Question 4

This question uses the same data as the previous question, repeated below:

On December 31, 2016, Silver Lane Partners, a private equity firm, acquired the operations of Baezmore Telecom (BT), a company with last twelve months (LTM) EBITDA of $882.7 million at an enterprise value amounting to 8.0 times LTM EBITDA.

At the date of the acquisition, BT had noncontrolling interests with a market value of $30.0 million, debt of $50.0m, equity investments valued at $8.0m, and cash of $20.0m.

As part of the deal, all the noncontrolling interests were acquired (at their market value) and all existing debt was refinanced.

To fund the buyout, Silver Lane was able to secure $250 million in debt financing at a 10.0% rate of interest (to be paid annually at each year end on the debt outstanding).

Transaction fees due in cash at the purchase date were $3.0 million, while financing fees due in cash at purchase date totaled $1.0 million.

None of BT's cash balances were used to fund the buyout.

For this question only, assume the purchase of Existing Equity is $6,500 million.

Calculate the equity investment made by Silver Lane.

Hint: First calculate all the Uses of Funds in the transaction, then solve for the Sources of Funds.

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